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Ellen Moyer, Mayor
City of Annapolis
160 Duke of Gloucester Street
Annapolis, Maryland 21401

March 9, 2009

Mayor's State of the City Report

The City of Annapolis is on solid financial footing. Our AA+ Bond Rating, low debt burden ratio averaging .9 of debt to assessed valuation, and a fair amount of liquidity averaging 26% of the general fund during the term of this administration are clear indications of the strength of the City's financial base. This Administration has been financially prudent, while at the same time moving forward to meet the public needs of a new century. To quote a financial consultant reviewing City operations, "from a financial perspective, the City of Annapolis is an incredibly stable environment with the ability to make needed investments".

The 2010 fiscal operating budget is \$500,000 less than the 2009 operating budget. The proposed operating budget is \$81,044,030. The proposed tax rate tracks the constant yield rate at 53 cents per one hundred dollars of assessed value. While the City is not faced with the same degree of financial upheavals as government jurisdictions around us and in other states, the City is not without challenges. The City's pension funds, both the Police and Fire Pension Fund and the one maintained by the State for all other employees, have suffered significant losses in valuations. In the future, this could mean that both the City and its employees would need to contribute more in order to keep the pension system fully funded. Still, we are in a significantly better position than a majority of other government pension plans. In the private market investments on which individuals have depended are shattered. Consumer spending is down. Businesses, large and small, are struggling to meet their obligations.

Although the City does not receive any sales tax revenue, other City income, such as grants, is affected by down-turns in revenues. This budget therefore attempts to avoid actions that would add to economic decline, and to provide public service with cost and energy efficiencies.

The budget also recommends changes consistent with new 21st century demands. Jobs and cash flow are the lifeblood of our economy. I have made, and will continue to make, the employee workforce my priority, ensuring Annapolitans will have jobs!

With very little in the way of enhancements, this budget requires departments to continue the same quality service with less. With a thrust of improved technology, more efficiency, and aggressive grant funding this goal can be met.

Support For Businesses

An international plumbers union - The United Association of Journeymen and Apprentices - moved its national headquarters to Annapolis, bringing 300 new jobs and generating additional income for the City. Despite the down-turn in the economy and the closing of some doors for business, the City has issued 96 Occupancy and Use permits for businesses in this fiscal year.

The Department of Economic Affairs has worked hard to strengthen our economic base, and the recent Union move is proof of their efforts. This year the City was awarded a Main Street program and an Art and Entertainment District by the state. The Annapolis Downtown Partnership is underway. An initial 12-thousand dollar state grant for facade improvements has already generated more than \$200,000 in private investments on

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commercial buildings. A task force reviewing the economic impact of the arts will report this spring offering critical information for planning in the Arts and Entertainment district.

Much of the economic vitality of Annapolis is based on a visitor population. Tourism, among the top three industries internationally, is a very competitive industry. This City welcomes millions of visitors a year. Combined with resident spending Annapolis sends \$65,683,000 in sales tax to the state coffers. For a city of less than 1% of the State's population this amount represents 2% of the sales tax collected state-wide.

It is in the interest of the State and of those in business to continue to attract visitors to the Capital City. Because of the potential dollars that will be available for businesses by marketing this visitor population, I have brought together business leaders, downtown merchants, and Council members to discuss with my staff concerns as well as public relations actions to reinforce the economic vitality of Annapolis. It is critical that we act on the positive national media exposure we have already received this fiscal year. Annapolis has been identified as a special place to visit by:

- The National Geographic who selected the City for its sailing,
- Forbes for its beauty, and
- American Style for its art.

While standing at the top of Main Street, few can argue with the American Planning Association award for Main Street as a 'great street.'

- Unique archeology discoveries on Fleet and Cornhill Streets have been broadcast internationally through the New York Times and Archeology magazines.
- Identifying the city as the Sailing Capital of America helped to secure the Sailing Hall of Fame, a future premier visitor attraction.
- And Benny, the Fire Department's hazardous chemical trained top-of-the-class #1 award-winning dog, achieved some fame for the City too.

These awards provide a strong marketing base for the business community. Living History Together continues to be a strong impetus for visitors who just like to wander downtown, walking in the footsteps of George Washington in today's National Historic Landmark and Capital City. The City staff is working actively with staff in our nation's capital to promote transportation to Annapolis with hopes of capturing some of the 20,000,000 visitors to DC.

Public and private partnerships brought mayors and visitors from Sister Cities in Ireland, England, Nova Scotia and China. The State Department brought many more delegations from foreign countries to explore local government at work, underscoring the importance of international connections to the City. This summer young students from Sister City Rochefort, France, where Lafayette's ship that sailed to America to join our revolution is being built, will visit Annapolis to sail on the Chesapeake Bay.

Public Information: Essential To City Vitality

Understanding the value of public information and its value to marketing the City through the dedicated public access fund the City has expanded its COA-TV programming with Comcast and Verizon this year. Hotels in Annapolis will soon be linked to the City's television station, promoting downtown Annapolis as part of a major marketing campaign. Our TV station, along with our website, is undergoing a community friendly re-design to be unveiled this spring. Video streaming of events, emphasizing a new approach to community outreach has been added to the Annapolis.gov website. Annapolis.gov also won a 6th place award for design this year.

The City Magazine provides critical information on the work of the city. It has proved to be a valuable marketing tool for people exploring the City for business opportunities. It is popular with visitors. Distributed to each resident it enables citizens to be an advocate for the place they call home.

This budget continues funding for the community outreach and marketing tools that underpin our non-manufacturing economy. Each of us, elected leader, business owner, and resident has a stake in maintaining our visitor attraction and economic vitality. Each of us can be an Ambassador for the City. An attitude that emphasizes the good things that happen is the strongest sales tool.

Annapolis Youth- Our Future

Young people are our future. The Office of Youth and Community Action launched a scholarship program

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called Rock-for-Youth. The program invites all city residents to contribute to build a million dollar fund to help send Annapolis High School graduates who otherwise would not have the opportunity to go to college. Five students have been selected and will begin studies at the Anne Arundel Community College this fall.

Over the last 6 months the office has provided training to at-risk youth through the Sherwin Williams home maintenance program, and a wooden window repair program. A \$100,000 grant on lead paint removal offers a training program to certify workers in the process. Working with our federal partners requests for funds for skill building in green technology, particularly for certified energy auditors, are underway.

A base of skilled energy auditors is crucial to the work of Annapolis EZ, the innovative public-private partnership loan program which helps residents transform homes and businesses into energy-efficient buildings. This program, while privately funded, and used as a model by Congressman Chris Van Hollen for a federal funding program, joins other City loan initiatives such as the sprinkler fund and the historic district building façade program.

Volunteers – An Exceptional City Asset

The commitment of people to make a difference in the world they live in locally keeps Annapolis strong. Like the United Way the City has created a variety of volunteer choices for pocket-book contributions. If education is of interest, Rock for Youth may be your choice. If reduction of emissions and carbon off-sets is your interest, then a DNEP program, similar to terrapass, which will help the City meet its carbon reduction goals by 25% over 2006 levels by 2012, may be your choice. If celebrating our Nation's Birthday on July 4 is an interest, then a contribution to that fund with Recreation and Parks may be your choice. Greenscape, the City's landscaping and Earth Day program, also accepts contributions

In addition to opportunities for gifting citizens are involved in contributing time and skills to a variety of boards and commissions. Following the Let's Talk Conversations which engaged 900 citizens, 32 residents volunteered for the Citizens Advisory Commission that has recommended the comprehensive plan that will guide the city's land use for the next 10 years. This year over 250 people volunteered for, and serve on, City boards such as the Historic Preservation Commission, Art in Public Places Commission, Planning Commission, Board of Appeals, Maritime Advisory Board, Liquor Board, Port Wardens Commission, Environmental Commission, Conservancy Board, Recreation and Parks Advisory Board, Blue Ribbon Task Force on Revenue, Task Force on Arts and Humanities, Downtown Partnership Board, Arts and Entertainment Board, West Street Vision Team, Economic Development Strategy Team, Parking Advisory Board, Bicycle Task Force, Compensation Commission, Safe Street Commission, Rock for Youth Board, Lincoln Walk Committee, and more, illustrating the open and participatory nature of government in Annapolis. Another 1000 people and midshipmen volunteer time with Greenscape and creek clean-up and restoration efforts. The City leaders need to be mindful and protective of the processes of openness in government that nurtures willingness of citizens to contribute time and money to keep their city and quality of life strong.

Annapolis, The Emerald City- All Things Green

Annapolis has always been ahead of other jurisdictions in environmental initiatives. The City was twenty-nine years ahead on tree canopy protection. It is a leader in urban localities in the State with a 42% tree canopy. The City's agreement with DNR to reach a 50% goal means planting 1000 trees a year, a goal we continue to meet.

For more than 30 years we have led the way in urban open space with 19 street-end parks and 200 acres preserved through our public land trust. Our laws on the environment are the strongest in the State embodying best management practices, and are used by other agencies as examples of what local government can do to make a difference.

The City's new sustainable community action plan challenges us in new ways to make a difference. Looking to reduce our carbon foot print the administration is moving on efforts to convert our bus fleet to natural gas (a cost reduction). Meetings are being held with the staff of T Boone Pickens for grant support for this conversion. Meetings are underway on partnership with the State for use of its underutilized CNG station.

Legislation introduced tonight will launch a Clean-Air Auto Program. I am also asking for a committee to explore the feasibility of a carbon tax with dividends (a revenue enhancement) for the City of Annapolis. When

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all is said and done under the current green bandwagon, Annapolis, the State capital, should be dubbed the emerald city of Maryland, because Annapolis IS "Green".

Another City Environmental First - Leading By Example

This year Annapolis became the first municipality to complete an urban watershed action plan. Programs identified that are 'shovel-ready' are being pursued with our congressional leadership and the State's economic recovery program. Included are two innovative programs on nitrogen reduction in our creeks, and storm drain retrofits. If these studies prove positive we will be able to save thousands of dollars in the future for cleaning up our waterways and meeting goals soon to be imposed by the EPA.

A goal to reduce the City's impervious surfaces from 42% to 26% is recommended. Leading by example the city introduced Rain Gardens in the dock area with its reconstruction of the deteriorating bulkheads. Rain gardens at the stadium site and surface change on several acres of land also reduced our impervious surfaces but we have much more to do and this is reflected in the budget.

In March, Back Creek Nature Park opens to provide an 11 acre National Model Environmental Education Center. Street-end parks are being converted to meet new environmental standards for capturing and filtering rainwater.

And finally, through the tireless and sometimes frustrating efforts of the City's leadership in Recreation and Parks, a new recreation center is underway. The budget reflects an anticipated new income for a "Pay to Play", when the facility opens this autumn. It too is state of the art with green roofs, capture of rainwater for use on athletic fields, rain gardens, and pervious surface parking lots. An RFQ is underway for proposals for the use of the recreation center on St. Mary's street, built as a USO Center in the 1940s, that should bring additional revenue to the city.

Keeping Up With Capital Improvements

Short term gains at the expense of long term gains left this city facing infrastructure stress in 2001 with Council approved capital programs stalled for 15 years. This administration has been aggressive in completing the approved CIP Program. West street improvements, bringing more than \$219,000,000 in new assessments, has breathed new life into the City's economic vitality fostering business-friendly programs like First Sundays.

The long overdue bricking of streets and sidewalks has added to the warm and historical feel of our Capital District. It also fosters the impression that we care about ourselves. Major roadways along Forest Drive in Parole and on Edgewood Road improved neighborhood stability and pedestrian safety. Long awaited undergrounding of utilities is underway in the historic district. New updated office space has been created serving city staff and the public we serve.

New times demand new improvements. Our Historic City Hall needs major mending. Energy demands and innovations require new vision. Space needs to meet public demand for service are not yet resolved. New capital programs reflect recognition of needs to reduce the carbon footprint, harness energy in new ways, reduce impervious surfaces, acquire space to complete the City's community outreach efforts, advances in transportation and transit, restore the 80 year old water plant, and upgrade outer West Street improvements anticipated as an outcome of the volunteer citizen committee. Downtown revitalization recommended for Clay and Washington Streets and Compromise Street as proposed by the Office of Planning and Zoning is also included as new programs for the future.

The Past Is Prologue

Walking down memory lane for a moment, Police Chief Joe Johnson came into the City to rescue a department torn by personnel conflicts and low morale. Morale improved, however, by 2001 newly trained officers were leaving the city for territories with better pay. Eleven officers were leaving for every three hired. Stopping that hemorrhage was a top priority. Today APD is at the tops in the State for pay and benefits. The lowest crime rates since 1990 have occurred during the last seven years.

This year under Chief Michael Pristoop the crime rate may be the lowest yet as we wage a new war on the use of illegal drugs and guns. The addition of two-drug trained dogs, recommended by a volunteer public safety team, has benefited this effort.

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The Annapolis model of a Safe Street Initiative involving coordination with State agencies has proved successful and is likely to be replicated in another local government. A new \$562,000 grant for a 911 center has been received. With our Emergency Operations Program the City is a partner on a federally funded radio communications system that covers five counties and Baltimore City.

Grant Funding - Essential To City Public Service

The City is aggressively pursuing Federal, State and private grant funds. Approximately 20 programs have been filed with the State for economic recovery dollars on 'shovel-ready' programs addressing the priorities identified by congress. This year 25 staff members were trained through a program at the Anne Arundel Community College in grant writing.

Since the property tax only covers 54% of the City budget aggressive pursuit of other revenues is essential to providing quality public service. Over the last decade income from intergovernmental sources has increased by 94.9% from \$7,000,000 to \$14,000,000. Other grant sources have increased by 364.8% from \$1,036,900 to \$4,819,760. Miscellaneous revenues have increased from \$186,000 to \$1,965,000.

This year we will begin to see the first new income from insurance agencies on medical emergencies. An anticipated annexation on West Street will push up our assessable base to provide additional revenue next year. With very little in the way of enhancements, this budget requires departments to continue the same quality service with less. With a thrust of improved technology and more efficiency, this goal can be met.

We have also worked to reduce costs. Moving to a "self-funding" model for health benefits from a "fully insured" model has provided an annual 10% cost saving. Self insuring for Workers' Compensation has produced an annual savings of more than \$650,000 since 2003. Other department savings from consortium purchases of fuel and electricity equate to more than \$100,000 annually.

Sustainable efforts through DNEP has also reduced costs. The "Track-It" software increased efficiency and reduced time in the permitting process and Interactive Voice Response (IVR) which allows contractors to call for permit status 24-7, making it more contractor-friendly. Purchasing smart cars and scooters when feasible in our vehicle replacement fund continues to provide cost savings.

New Challenges - New Changes

Transportation and transit related issues, technology, the environment, and the economy dominate 21st Century issues. To meet these challenges I am recommending the following initiatives.

In transportation and transit:

- The transportation planner in Planning and Zoning has been moved to the Department of Transportation to better deal with issues related to moving people from Parole Centers, Washington D.C., and Baltimore.
- A new emphasis has been placed on issues related to alternative transportation, bicycle initiatives, and parking enforcement. A staff person will create the positive energy needed to promote and implement these programs City-wide.
- Parking enforcement staff will be moved from the Police Department to the Transportation Department.
- A license scanner will be purchased to enhance parking enforcement.
- The Washington D.C. and BWI transportation routes will be bid in the private market. The City has worked cooperatively with Dillon's bus service to continue the 921 service. This will be renamed the Capital to Capital line, expanded to the weekend, and marketed in D.C. and Baltimore to draw visitors in those cities to Annapolis consistent with our tourism strategy. Service to BWI and New Carrollton opens up opportunities for people to travel to any place on the globe and reduces dependence on auto and parking capacity. Grant money is being pursued for residents who commute to Annapolis, D.C., and BWI for work.
- After reviewing the success of City Dock 'Pay and Display' parking, the City will shift to a pay and display program in the City Dock, Main Street, Prince George, and other residential areas. This is anticipated to enhance revenue for parking by 10%.

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- The Knighton garage, which loses money, will serve as a garage model for pay and display. Savings secured will outfit the garage for hybrid vehicles to re-charge.
- The free City shuttle passes Knighton garage 90 times a day. A marketing plan for this best-kept secret is being developed.
- A dedicated funding source from assets of the pay and display off-street parking areas to enhance frequency and extended hours for the transit system.
- Bus maintenance will be outsourced (an expected cost saving).
- City ordinances will be revised to reflect these changes.

In technology the following changes are proposed:

The IT Department serves a community outreach function which through the external website is undergoing improvements to meet new demands for public services. The IT department began primarily as a support service to City agencies moving into the computer age. Today, however, the infrastructure is out-dated. The email system is not integrated into the system platform. No overall plan to update the existing infrastructure, replace legacy systems, or increase automation exists. The department is understaffed.

Consultants reviewing MIT operations recommend in the long term that MIT become a separate department with a Chief Information Officer reporting directly to the Mayor. More advanced systems are needed to meet automation, efficiency, and disaster recovery.

Outsourcing of infrastructure could provide lower costs at a higher level of service. Leasing city fiber-optic space should be explored as a new revenue stream. These changes are necessary and expensive and will have to be the focus of another administration.

However, to jumpstart these changes, I am requesting money for support to develop a strategic plan that documents business requirements City-wide and maps needed functionality to support citizen services and regular operations. This effort would be the foundation for selection of new systems in line with advanced technological tools in today's world to be considered in 2010.

To keep staff up-to-date on the use of technology money for training staff in each department is recommended in the Human Resources budget to improve user access to information and reports necessary for data via the web. Redesigning the annual performance employee review process is also needed.

The last issue in need of remedy is the Market House. While our lawyers prepare for a June 9 trial date, the Market House sits vacant through the abuse and misuse of the privately contracted managers retained by the City, in good faith, to provide an important service to those who visit this City and to those who live and work here.

By failing to meet its obligations outlined in the lease over an extended period of time, Market House Ventures LLC has defaulted on its lease. We have formally notified Market House Ventures that they are in default of their lease for both failure to pay rent AND for failure to make meaningful and good faith efforts to fill the empty stalls in the Market House.

Additionally, I have directed our lawyers to aggressively explore whether the City should exercise eminent domain and condemn the Market House lease and quickly return the Market House to City control. I expect to have their conclusion and any recommendations no later than our regular April meeting.

One of our greatest challenges this City faces comes at a high cost, but has no dollar amount attached to it. Our ability to be civil with one another and interact without accusing or pointing fingers is a challenge I have tried to address since my first year as mayor. The "Let's Talk Annapolis" forums and luncheons and the Civility Panel and discussions were all part of an attempt to open a dialog and make the City better through the ideas of its own residents.

During this election year we need to keep discussions open with a civil approach to problem solving involving City officials, the public, and the media. As a courtesy to the next Mayor and Council here is a little fact that has been lost through the years but once ruled the harsh tongues in the New Colony of Maryland. A law against spreading false news and information was proposed by Proprietor Lord Baltimore. The law declared: "Spreading false news to make discord is punishable by common law, with fines and imprisonment." An attempt to create a civil environment has been the focus of leaders dating back to Lord Baltimore. In 1651, commenting on rumor and intentional false statements in a letter, he stated, "... A government divided in itself brings confusion

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and much misery upon all the people under it, within the creators of such division, the fomenters of discord must justly expect sad calamities from the same if they do not in time see and rectify the same, for the public peace and welfare of the people under the government,"... The focus of Lord Baltimore's comments of law was part of the New Colony's formation and success. The spread of intentional falsehoods could not be tolerated. These same principals are used today regarding slander and libel. 358 years later.... the fight for civility continues!

This budget recommends some bold new steps for change, suggests potential revenue enhancements and cost savings, addresses the challenges ahead of us and maintains public service demands at the constant yield tax rate that citizens deserve.

In closing, this budget speaks to the Republicans and the Democrats, the business leaders, civic leaders, and faith-based leaders. This budget takes into account the great expectations of a great City and responsibly maintains a balanced budget for the next Mayor and Council to work with.

This is my last State of the City Address. As I leave you with this budget to work with, I also leave you with this thought. I ran as Mayor 7 years ago, hoping to leave this City better then I found it. I believe I have accomplished that, and I hope this budget represents some of my efforts.

Respectfully submitted


Ellen O. Moyer, Mayor

Changes from the FY 2010 Proposed to the FY 2010 Adopted Budget

The Mayor's State of the City Report is presented to the City Council and the Citizens of Annapolis as an accompaniment to the Mayor's Proposed Operating Budget and Capital Improvement Program. The State of the City Report highlights the Mayor's major initiatives and goals contained in the proposed budget for the upcoming year, focusing on the proposed property tax rate, organizational changes, and major capital projects. Once the Mayor's proposed budget has been presented to the City Council, the Council may then propose amendments to the Mayor's budget; these amendments are voted on during the City Council meeting at which the budget is adopted.

The Mayor's State of the City Report on the preceding seven pages includes projects and changes that the Mayor had incorporated into her proposed budget; some of these were modified, replaced, or eliminated by the City Council when the budget was adopted.

Changes from the proposed budget to the adopted budget are as follows:

Adjustments to Revenues	From	To	Change
Proposed FY 2010 Revenues			\$81,044,030
Reduction in State Highway Tax	1,678,000	1,495,600	(182,400)
New Antenna Lease - Rents and Concessions	250,000	291,560	41,560
Operating Revenue from CIP	409,690	4,959,490	4,549,800
Adjust Fund Balance Funding - Water Fund	794,890	834,890	40,000
Increase Parking Rates - Off Street Parking Fund	3,350,000	4,250,000	900,000
Subsidy Changes - Transportation Fund	1,518,360	1,618,360	100,000
Adopted FY 2010 Revenues			\$86,492,990

Adjustments to Expenditures	From	To	Change
Proposed FY 2010 Expenditures			\$81,044,030
Decrease Salaries - Mayor's Office	312,470	287,970	(24,500)
Decrease Salaries - City Council	191,570	139,050	(52,520)
Increase Supplies - City Council	8,000	20,000	12,000
Increase Special Projects - Economic Affairs	91,660	121,660	30,000
Decrease Contract Services - Economic Affairs	50,000	20,000	(30,000)
Increase Contract Services - Finance	339,560	750,130	410,570
Increase Salaries - Office of Law	618,740	627,740	9,000

Changes from the FY 2010 Proposed to the FY 2010 Adopted Budget

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<i>Adjustments to Expenditures</i>	<i>From</i>	<i>To</i>	<i>Change</i>
Increase Salaries - Central Services	222,480	375,480	153,000
Increase Supplies - Police Department	441,710	446,710	5,000
Increase Supplies - Fire Department	402,430	414,430	12,000
Increase Capital Outlay - Public Works	0	120,000	120,000
Decrease Contract Services - Recreation	197,030	193,630	(3,400)
Increase Debt Service	5,769,700	6,037,700	268,000
Reserves and Adjust Administrative Overhead	(3,257,960)	241,850	3,499,810
Increase Supplies - Water Fund	177,110	217,110	40,000
Adjust for Added Subsidy to Transportation - Off Street Parking Fund	362,460	1,262,460	900,000
Increase Contract Services - Transportation Fund	14,100	114,100	100,000
Adopted FY 2010 Expenditures			\$86,492,990

Budget Overview

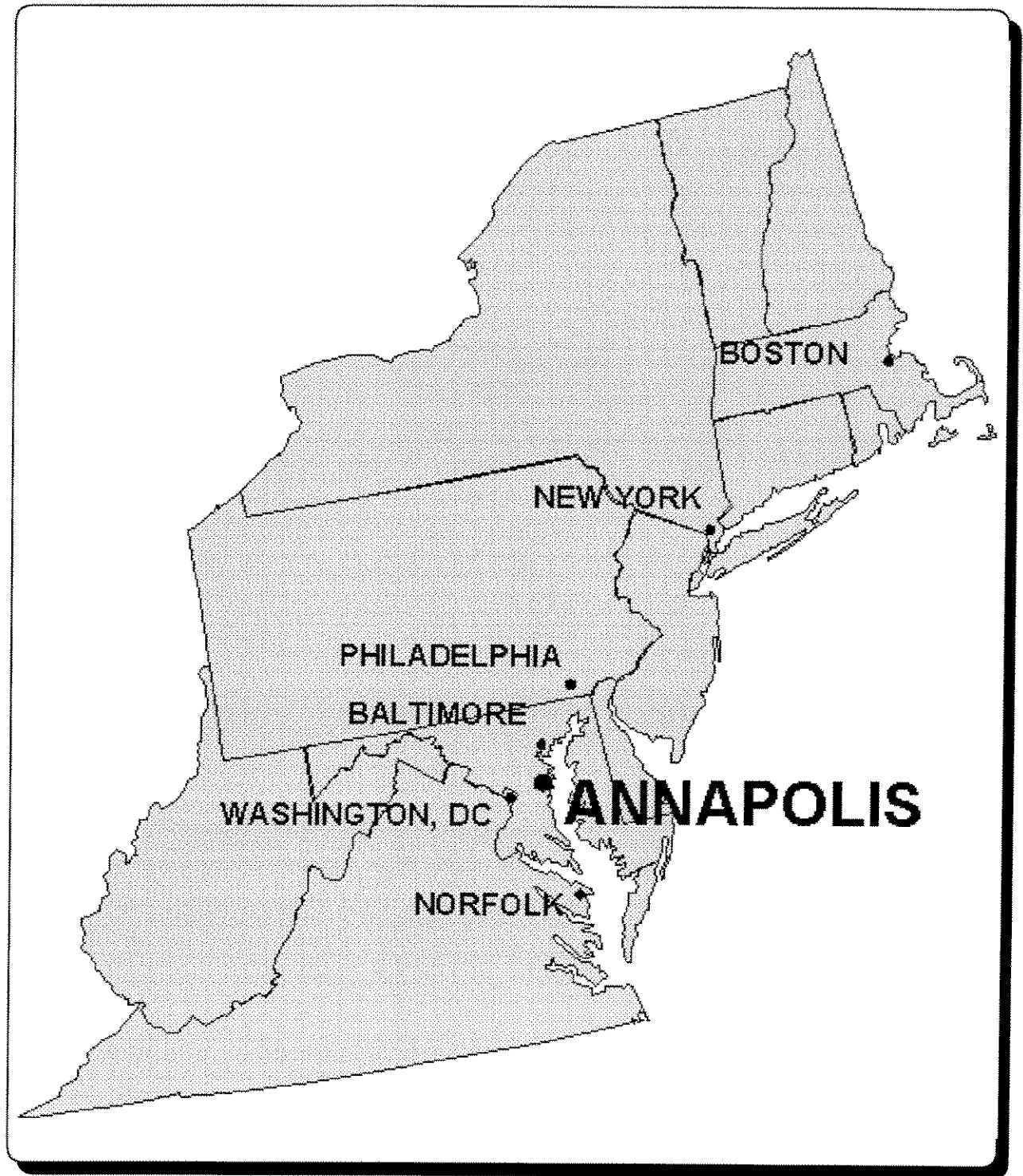
Operating Program:

- The adopted operating budget of \$86,492,990 is an increase over FY2009 of 6%. Increases in personnel costs make up 64% of this overall increase and another 34% is attributed to a one time return of Pay-go funding from capital projects.
- Continued rising commercial property values offset the flat or slightly decreasing residential property values for the next three years. The real property tax revenue is expected to increase 3.4% over FY2009. The City will hold the property tax rate constant at \$.53 per \$100 of assessed value for the fourth consecutive year.
- Funding provides for cost of living salary increases and a continued sharing of 85% of the health benefits for employees.
- The Pay-go funding being returned from capital projects will be used to increase general fund reserves. Bonds will be issued as a replacement source of funding.

Capital Improvement Program:

- The approved FY2010 capital budget is \$18,471,360 and the six year capital improvement program is now estimated at \$230,573,200. Under this program the City continues to be aggressive in attracting new development and commercial revitalization while providing improvements for current citizens and businesses.
- The City is finishing up a \$15 million Police Department addition and renovation and began the \$16.8 million new recreation center.
- The long range plan includes replacement of the downtown parking garage and the water treatment plant.
- Additional multiple, major road improvement and utility projects have been included in both FY2010 as well as the long range plan.
- The City has authorized the sale of \$28 million in bonds to help fund these projects along with \$3.5 million in Federal and State grant funding.

Regional Map



Community Profile

Annapolis is an incorporated municipal corporation of the State of Maryland (the "State"), possessing substantial home rule powers under the State constitution. First settled in 1649 by Puritans fleeing Virginia, the City was chartered in 1708 and served as the capital of the United States when the Congress met there in 1783-1784. The City serves both as the capital of the State and as the county seat for Anne Arundel County and acquired home rule in 1954. Annapolis is situated on the Western shore of the Chesapeake Bay, at the mouth of the Severn River, east of and midway between Baltimore and Washington, D.C. The City has been the home of St. John's College (founded as King William's School) since 1696 and the United States Naval Academy since 1845.

The City covers an area of approximately eight square miles. Population in 1950 was 10,047, but growth as well as annexation caused that figure to double by 1960 and more than triple by 1980. According to the 2000 Census, the population is 35,838, exclusive of the Naval Academy population of approximately 5,500. The Naval Academy constitutes a Federal enclave within the City, but is not within the corporate limits of Annapolis.

The appearance of the City is dominated by the handsome buildings of the Naval Academy and the historic State House of Maryland. In addition, there are a number of contemporary State and County office buildings which have been designed in keeping with the prevailing Georgian architecture of the community. Because of the number of residential structures of significant historic and architectural value for which Annapolis is famous, private and public groups have joined together to retain or to recapture the historic atmosphere of the community in keeping with modern urban requirements. An application to the Department of Interior to enlarge the then existing Historic District as designated on the National Register of Historic Places was approved in 1984. The Annapolis Comprehensive Plan was adopted by City Council in May, 1998.

Annapolis is served by three major highways, U.S. Routes 50/301, Maryland Route 2 and Interstate 97 which connect with the Chesapeake Bay Bridge, immediately northeast of the City. The District of Columbia is 27 miles to the west and the City of Baltimore is 27 miles to the north.

The City is governed by a Mayor and a City Council. The City is authorized to issue debt, subject to certain indebtedness limitations, for the purpose of financing its capital projects and to incur certain other indebtedness.

The executive offices of the City are located at the Municipal Building, 160 Duke of Gloucester Street, Annapolis, Maryland 21401.

The legislative body of the City is the City Council, consisting of the Mayor as the presiding officer and eight Aldermen who together comprise the City Council. One Alderman is elected from each of the eight wards into which the City is divided and must be a resident of the ward. The Mayor is elected at large. The Aldermen and the Mayor serve four-year terms, commencing in December of the year following the presidential election. The City Council has six standing legislative committees: Economic Matters, Finance, Public Safety, Rules and Government, Environmental Matters, and Housing and Human Welfare. The Mayor and Aldermen have one vote each. A simple majority is sufficient to pass legislation.

The City has independent jurisdiction over streets, street lighting, refuse collection and disposal, police, parks, harbor, off-street parking, public transportation, fire suppression and emergency services, planning and zoning, public health, water production and distribution, and sewage collection. Primary and secondary education is provided by the Board of Education of Anne Arundel County.

Demographic and Statistical Profile

Community Profile:

Date of Incorporation	1708
Form of government	Mayor and Council

Age Composition (% in 2000), continued

75 - 84 years	4.4
85 + years	1.3

Demographics:

Household Income and Expenditures (per 2000 U.S. Census)

Area in square miles

2009	7.90
2008	7.90
2007	7.90

Median Household Income	\$49,243
Per Capita	\$27,180
% below Poverty Level	9.5%
Median Housing Value	
(owner-occupied)	\$165,600
Median Mortgage Payment	\$1,349
Median Gross Rent	
(renter-occupied)	\$762

Climate

Average summer temperature ($\pm 5^{\circ}$)	71.9
Average winter temperature ($\pm 5^{\circ}$)	46.2
Average annual precipitation (inches)	40.8
Average annual snowfall (inches)	20.5

Households and Housing Units

Population

2009	37,300
2008	36,400
2007	36,300
2006	37,300
2005	36,750
2004	36,210
2003	36,180
2002	36,100
2001	35,900
2000 per U.S. Census	35,838

Households	15,303
Housing Units	16,192
Tenure	
Renter	7.398
Vacancy Rate	3.8%
Owner	7.905
Vacancy Rate	1.4%

Economics:

Employment by Industry (%)

Construction	5.6
Manufacturing	4.8
Retail Trade	10.7
Finance, Insurance, and Real Estate	5.7
Education, Health and Social Services	22.1
Arts, Entertainment and Food Service	12.1
Professional, Scientific, Management and Administrative	13.5
Public Administrative	9.2

Median Age

2000 per U.S. Census	35.7
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Age Composition (% in 2000)

Under 5 years	6.7
5 - 9 years	6.0
10 - 14 years	5.6
15 - 19 years	5.9
20 - 24 years	6.9
25 - 34 years	17.7
35 - 44 years	15.7
45 - 54 years	14.3
55 - 59 years	5.3
60 - 64 years	4.0
65 - 74 years	6.3

Taxes

Local Retail Sales Tax Rate	6%
Personal Income Tax Rate	4.75%
Corporate Excise and Income Tax	8.25%
Franchise Tax:	
Public Utilities - based on % of gross receipts apportioned to MD	2%
Unemployment Compensation Tax - base rate	7.1%

Demographic and Statistical Profile

- continued -

2009 Property Tax Assessed Valuation

Primary	\$5,877,500,225
Secondary	\$163,439,530

Building Permits

Commercial

<u>Year</u>	<u>Permits</u>	<u>Value</u>
2009	270	\$43,522,221
2008	296	\$42,830,126
2007	308	\$25,494,044
2006	334	\$30,133,958
2005	361	\$101,125,015
2004	390	\$87,819,105
2003	355	\$30,470,365
2002	306	\$13,727,071
2001	290	\$23,978,994
2000	312	\$30,391,663

Residential

<u>Year</u>	<u>Permits</u>	<u>Value</u>
2009	892	\$23,354,588
2008	1,195	\$28,296,974
2007	1,030	\$34,309,629
2006	1,329	\$59,901,509
2005	1,025	\$76,137,639
2004	1,160	\$39,180,383
2003	1,113	\$42,498,578
2002	920	\$42,532,887
2001	836	\$57,536,150
2000	784	\$23,582,607

Service Statistics:

Fire Protection (2009)

Stations	3
Career firefighters	137
Civilian personnel	6

Police Protection (2009)

Stations	1
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Police Protection (2009), continued

Uniformed police officers	131
Civilian personnel	32
Police vehicles	100

Public Works (2009)

Water

Water mains in miles	128
Water treatment plants	1
Storage tanks	5
Water consumption (annually)	1,500 MG
Number of accounts	12,404

Sewer

Sewer lines and storm drains in miles	140
Sewer treatment plant (50% owned)	1
Sewer pumping stations	25
Sewage treated (annually)	1,700 MG
Number of accounts	11,400

Utility Rates

Gas (cents/therm)

General service	
1st 10,000 therms	19.75
additional therms	9.48
Residential	25.61
Electric (cents/kwh)	
Summer	
Residential	11.406
Non-Summer	
Residential	11.390

Recreation - City owned

Playgrounds and parks in acres	126
Baseball fields	4
Football fields	1
Basketball courts	7
Tennis courts	14
Playgrounds	11
Pools	1
Public Boat Ramps	3

Demographic and Statistical Profile

- continued -

Education - County provided

Elementary and secondary schools	12
Elementary school enrollment	3,020
Middle school enrollment	1,040
High school enrollment	1,590
Colleges:	
U.S. Naval Academy enrollment	4,500
St. John's College enrollment	470
Anne Arundel Community College enrollment	21,750

Major Events

Maryland State Legislature in Session	January - April
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Major Events, continued

Waterfront Festival	April - May
U.S. Naval Academy Commissioning	May
Wine Festival	June
Independence Day Fireworks	July
Maryland Renaissance Festival	August - October
Maryland Seafood Festival	September
Anne Arundel County Fair	September
U.S. Sailboat Show	October
U.S. Powerboat Show	October
Chesapeake Appreciation Days	October
Christmas Lights Parade	December
First Night Annapolis	December

The Budget Development Process

November

- Annual Summit with Mayor, Administration and City Council
- Department presentations to Mayor and City Council
- Finance prepares and distributes Operating and Capital Budget Instructions and packages to Departments

December

- Goals and Objectives for the City are reviewed
- Finance prepares Preliminary Revenue Estimates

January

- Departments submit Operating and Capital Budget Requests and Enhancement Requests to Finance Department
- Departments' Operating and Capital Budget Requests, Enhancement Requests reviewed with Mayor

February/March

- Finance Department prepares Operating and Capital Budgets with Mayor
- Mayor's Proposed Operating Budget submitted to Council by second Monday in March, Budget legislation to Council for First Reader
- Council hears from Community Grant Applicants
- Capital Improvement Plan is reviewed with the Planning Commission

April

- Finance Committee holds Public Hearings on the Mayor's Proposed Operating and Capital Budgets with Department Directors
- Council Public Hearing held on Proposed Capital Budget, Capital Improvement Program and Constant Yield Tax Rate

May

- Finance Committee recommendations on the Mayor's Proposed Operating Budget to the Council by second Monday
- Council Adopts the Operating and Capital Budgets

July

- Fiscal Year begins on July 1

The Budget Development Process

- continued -

Budget Adoption:

The City Code requires that the Mayor submit a proposed budget (for all funds except the Internal Service Fund, the Pension Trust Fund and the Special Revenue Fund) to the City Council no later than the second Monday in March of each year for the fiscal year commencing the following July 1st. The Finance Committee makes recommendations on the budget to the full City Council. The City Council conducts public hearings on the budget. No later than June 30th, the budget is legally enacted through passage of a budget ordinance which establishes spending authority by fund for the operations of the City. The level on which expenditures may not legally exceed appropriations is the fund level and budget revisions at the fund level require City Council approval.

Budget Revisions:

Procedure for Changes: Because there needs to be a document setting forth each request for a change to the budget, the Finance Office has devised what it calls a budget revision form. This form specifies which line-item budgets are being changed and by how much - and it provides an explanation of, and a justification for the transaction or circumstances that have necessitated the budget change(s). It also provides for the signature of the department director making the request and the signature of the Finance Director affirming the sufficiency of funds supporting the change.

Approval for Changes: Because it is the City Council that establishes the original operating and capital budgets, it is the City Council that must approve changes at the fund level. Members of the Council are appointed to the Finance Committee to do the business of hearing requests for budget changes, evaluating them, and making recommendations to the Council with regard to them.

Budget Basis:

The budgets of general government type funds are prepared on a modified accrual basis. Under this basis, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred, if measurable, except for debt service which is recognized when due.

The Comprehensive Annual Financial Report (CAFR) is prepared on the basis of Generally Accepted Accounting Principles (GAAP). In most cases this conforms with the way the budget is prepared, with the following exceptions. In the General Fund, the budget basis differs from GAAP in that the budget basis reflects encumbrances as the equivalent of expenditures. GAAP reflects encumbrances only as reservations of fund balance. Also, under the budget basis, interfund transfers are considered the equivalent of revenues and expenditures of the affected funds. In addition, new capital leases are recorded as expenditures and other financing sources only on a GAAP basis. The Comprehensive Annual Financial Report shows fund expenditures and revenues on both a GAAP basis and budget basis for comparison purposes.

The enterprise funds (Water, Sewer, Off Street Parking, Dock, Market, Transportation, Stormwater Management, and Refuse) are budgeted on a full accrual basis. This means that revenues are recognized when they are earned, i.e. water use fees are recognized as revenue when bills are produced, and expenditures are recognized when the liability is incurred.